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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000408

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SUBJECT: KURDS DELAY BUDGET OVER FUNDING FOR PESHMERGA

REF: BAGHDAD 290

Classified By: Political Counselor Margaret Scobey for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Kurdistan Regional Government (KRG) Baghdad coordinator Dilshad Miran (KDP) told Poloff February 1 that negotiations on the security and defense portion of the national budget were still ongoing but had stalled because of disagreement over GOI funding for the Kurdish Peshmerga security forces that to date, have not transformed into an internal regional force compliant with the Iraqi Constitution and law. Miran said the KRG's Peshmerga security forces should be funded, trained, and equipped by the GOI. These sentiments were echoed by former Deputy Prime Minister Rowsch Shaways (KDP) and others in separate meetings. Negotiations are continuing in the Council of Representatives (CoR) since the Kurd walk-out during the budget discussion at the January 27 session, but Embassy Kurdish contacts as of February 4 were expressing less optimism about reaching agreement. Post will continue to press both sides to come to a resolution so that the budget can be passed, allowing the government to focus its attention on the real challenge of successful capital budget execution.
END SUMMARY.

Budget Negotiations Stalled

12. (C) Kurdistan Regional Government (KRG) Baghdad Coordinator Dilshad Miran (KDP) told Poloff February 1 that negotiations on the security and defense portion of the national budget were still ongoing but had stalled. The major issue still to be resolved remains the funding of the Kurdish Peshmerga, according to multiple Kurdish contacts, some of which explicitly blame the Shia Alliance and the Da'wa party for the dispute. Miran said negotiations with the Prime Minister on this issue have gone well, but when Minister of State for Parliamentary Affairs Safa al-Safi gets involved negotiations broke down. Safi tries to dictate to the Kurds, he said, something they cannot accept.

13. (C) Miran emphasized that the Peshmerga are a regional security force allowed by the Iraqi Constitution and thus should be funded, trained, and equipped by the central government. (Note: The Government of Iraq and the Kurdish Regional Government have not reached an agreement on transformation of the Peshmerga into a unified regional force consistent with Iraq's Constitution and federal laws. The talks ended in stalemate in October and the GOI continues to argue the Peshmerga is not a legal entity until it comes into compliance. End Note.) He said as other regions form they should be permitted to raise a regional guard and seek funding from the central government as well. Asked about a potential reduction in numbers of Peshmerga forces he said the Peshmerga are a source of pride and tradition in the Kurdistan Region and the KRG needs current troop levels to

deal with security in their mountainous region that shares a border with Syria, Turkey, and Iran. However, he said the KRG had agreed to draw down as security permits.

Shaways Echoes Miran's Regional Guard Sentiments

¶4. (C) Former Deputy Prime Minister Rowsch Shaways (KDP) told Poloff on January 26 that he thought all sides had agreed in principle on central government funding for the Kurdistan Regional guard, but he said negotiations remained on the mechanism and the details. He said they agreed to limit the number of regional guards based on population. He could not remember the exact figure but thought it was around 1 guard per 50 people. He also said this limit will be delayed until the security situation improves. He thought 90,000 regional guards would be appropriate. Dilshad Miran's figure was 120,000. (Note: At the October 10 talks with the Iraqi Government on the transformation of the Peshmerga into an internal regional force in compliance with Iraqi Constitution, the KRG delegation claimed to have approximately 190,000 peshmerga: 120,000 active and 70,000 reservists. They also expressed a desire to maintain this size until Iraq security situation improves. End Note.)

CoR Delays Budget Vote

¶5. (C) Negotiations continue between the Kurds and Shi'a parties after the Kurd walk-out during the budget discussion at the January 27 session (reftel). While the initial dispute revolved around the \$55.5 million allocation for

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'social benefits' for the Presidency Council, the issue has become much larger. Yunadam Kena (Assyrian - Rafidayn), member of the CoR Economic Committee, told econoff on February 4 that the Kurds were now demanding that the central government pay for the pashmerga. "They want each person to get \$1000 plus benefits, and there are 90,000 peshmerga, so it adds up to more than \$1 billion," he said. "They agree in private, but then in public they disagree," he said in explanation of the new dispute.

¶6. (C) Kurdish Alliance head Fu'ad Masum told Pol LES February 4 that the Kurds had presented their requests to the Prime Minister, who responded with several options which the Kurds then intended to present to KRG President Massoud Barzani. On February 5 Masum told Pol LES that Barzani had insisted on central funding of the regional guard but had agreed to make minor changes. He also blamed the Da'wa and Fadilah parties for the impasse. The budget was not on the agenda for the February 4 or 5 sessions, and CoR members are considering voting on the budget without resolving this issue to the satisfaction of the Kurds.

Comment

¶7. (C) Kurdish contacts had generally expressed optimism as recently as January 26 that the budget could be resolved. As of February 4, most seemed resigned to a long negotiation. The constitution stipulates that regional internal security forces are administered by the regions. While it does not specifically mention central funding for regional internal security forces, Article 121 (Third) states that regions shall be allocated an equitable share of national revenues sufficient to discharge their responsibilities. By most accounts, the Kurds have already done well in the budget formulation process, with 17 percent of the budget after "sovereignty expenses" were removed. Post will continue to press both sides to come to a resolution so that the budget can be passed, allowing the government to focus its attention

on the real challenge of successful capital budget execution.
KHALILZAD